MINISTRY OF THE SOLICITOR GENERAL

REPORT ON THE ORGANIZATION, MANAGEMENT AND FINANCIAL MANAGEMENT ASPECTS OF THE ONTARIO HUMANE SOCIETY

NOVEMBER, 1982

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PRIVATE AND CONFIDENTIAL

November 24, 1982

Mr. Frank Wilson,
Assistant Deputy Minister,
Ministry of the Solicitor General,
25 Grosvenor Street,
11th Floor,
Toronto, Ontario.
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Dear Mr. Wilson:

Please find seven copies of our final report on the Ontario Humane Society. I have assumed you might wish to circulate copies of these to the Minister, Deputy Minister and Messers. Ritchie, Dickie, Chalmers, and Gardiner, as well as yourself.

We have enjoyed working with you on this assignment and would be pleased to answer any questions you may have.

Yours very truly,
PRICE WATERHOUSE ASSOCIATES

Ron F. Knowles,
Manager.

Enclosure

Price Waterhouse Associates

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1. INTRODUCTION

In conducting this study of the Ontario Humane Society, we were impressed with the cooperation of all those whom we interviewed and particularly the staff and management of the Society itself.

We were also struck by the high degree of dedication and commitment to animal welfare which characterize those working in the field on either a voluntary or professional basis. That concern for animal welfare also applies to the representatives of other organizations whom we interviewed during the course of the study.

Because our assurance of confidentiality was both sought by and given to most of the people we interviewed, our findings have by necessity been reported in a general fashion. A list of people interviewed is included in Exhibit I.

It is in the nature of studies of this kind that one emphasizes the problems more than the strengths of an organization. The Ontario Humane Society has a long history of achievement in the area of animal welfare. Also, it has contributed a great deal to the people of Ontario. As can be seen from the recommendations which follow, we believe that the Ontario Humane Society and its Affiliated Societies will continue to play an extremely important role in the future.

2. BACKGROUND

The Ontario Society for the Prevention of Cruelty to Animals (now called the Ontario Humane Society) has existed since 1873, and has been specifically empowered for much of its history to enforce laws against cruelty to animals in Ontario. Originally, the Ontario Humane Society was expected to fulfill its role in partnership with local Affiliated Societies. In 1962, however, it began to form Branch Societies. This change has caused a shift in the balance of animal welfare organizations in the province so that at the present time there are 15 local Affiliated Societies and some 32 Branches of the Ontario Humane Society. The differences between an Affiliated Society and an Ontario Humane Society Branch are very significant, since the Branches are directly controlled by the Ontario Humane Society regardless of where they are situated in the Province. The trend toward the Branch as the dominant form of Humane Society organization in Ontario, occurred through the interplay of a number of forces, including:

- the fact that in some cases local financial and volunteer support was insufficient to sustain a viable Affiliated Society; and

- the fact that some Affiliated Societies were not able to overcome serious internal philosophical riffs, and as a result floundered.

Perhaps the most important event which has influenced the shape of the Ontario Humane Society was the appointment, in 1962, of Mr. Thomas I. Hughes as the Society's Executive Director. Mr. Hughes who later became Executive Vice President of the Ontario Humane Society brought a dynamic and forceful presence to the Ontario Humane movement. His energy, together with his highly centralized management philosophy, has been a major factor in the transformation of the Society from a network of Affiliated Societies into an increasingly centralized system of local Branches. During this period of centralization, the range and scope of the Ontario Humane Society's activities have grown impressively. This centralized concept has gathered strong support from many

participants in the Ontario animal welfare field, including many active directors and members of the Executive Committee of the Humane Society. In addition, many municipalities find that contracting out animal control services to the local humane society Branch is a workable alternative to having these services operated municipally or by a struggling local Affiliated Humane Society.

At the present time, the Executive Vice President and other officers of the Ontario Humane Society believe that an even greater degree of centralized control would be desirable in such areas as province-wide inspection and animal protection services, the amount of fees to be paid by Affiliated Societies, and the number of Branches to be added to the present complement.

The centralization of the Ontario Humane Society has not been welcome to all of the participants in the animal welfare field. Some of the Affiliated Societies actively resist the notion of centralization and firmly believe that a more decentralized approach, most particularly in the larger urban centers, is more effective in integrating the several interest groups which are involved in animal welfare in each community. The Ontario Federation of Agriculture represents those farmers who resent the manner in which the Ontario Humane Society functions in animal inspection, seizure and law enforcement. The Ontario Veterinary Association vigorously opposes the entry by the Ontario Humane Society through its Branch operations into the field of low cost veterinarian services, believing that direct competition from an organization which enjoys the tax and other advantages of the Ontario Humane Society is unfair. Various individuals, associated with Ontario Humane Society Branches, strongly resent the fact that funds raised in their own community are often applied to animal welfare programs in other communities.

This conflict between the centralized philosophy of the Ontario Humane Society and the interests of other organizations and individuals involved in animal welfare matters is at the root of the atmosphere of controversy and concern which has existed in Ontario over the past few years. In some cases, the conflict has been of such proportion as to attract the attention of the press. In addition, it has resulted in a special assessment of the OSPCA Act

conducted by the Ministry of the Solicitor General in late 1981 and early 1982.

Against this background of concern over the affairs of the Ontario Humane Society, Price Waterhouse Associates were retained to conduct a study of the organization, management and financial management of the Ontario Humane Society. The results of that study will be presented in two sections: MAJOR FINDINGS AND CONCLUSIONS; AND RECOMMENDATIONS.

3. MAJOR FINDINGS AND CONCLUSIONS

. Law Enforcement

There is considerable controversy over the animal law enforcement powers of the Ontario Humane Society for two major reasons:

- a question as to whether a volunteer charitable organization like the Ontario Humane Society should be empowered as a law enforcement agency; and

- concern about the current functioning of the Inspectorate of the Ontario Humane Society.

In our opinion, delegation of animal law enforcement authority to a formally organized animal welfare organization (the Ontario Humane Society) has served Ontario well from both an animal welfare and an economic point of view.

Since it is unlikely that other law enforcement agencies possess the commitment, funds or expertise required, animal law enforcement objectives will be best served by maintaining the current role of the Ontario Humane Society in this area.

It does not seem practical to expect an animal welfare organization to play a constructive role in preventing cruelty without some law enforcement clout.

Although Ontario Humane Society involvement in animal law enforcement should be preserved, the manner in which it manages its inspection activities requires substantial change and improvement. For example:

- The Inspectorate of the Ontario Humane Society is not effectively accountable for its standards or its performance to any agency outside of the Ontario Humane Society. Because of the wide powers it enjoys in the law enforcement field, accountability to an appropriate external authority is required.

- Ontario Humane Society inspectors are underpaid, undertrained and under-equipped. As a result, morale amongst the Inspectors is low.

- We encountered widespread concern that the Inspectors of the Ontario Humane Society are encouraged to perform their duties in a manner which results in public outrage in order to stimulate Society fund raising. Law enforcement activities should not be mixed with issues of public relations and fund raising.

- Organization

We see no evidence that suggests that the Ontario Humane Society Branch form of organization is superior to an independent Affiliated Society in terms of animal welfare in principle. In fact, several factors suggest that an independent Affiliated Society can serve a specific community better. For example:

- Affiliated Societies seem to result in a greater degree of support and involvement of members of the general community.

- Affiliated Societies seem to enjoy a more cooperative relationship with veterinarians.

- Affiliated Societies seem to establish more active community education programs.

Unfortunately, the community involvement which distinguishes the outstanding success of several Affiliated Societies, has also been the major vulnerability of this form of animal welfare structure. In many cases the required community support can be neither developed nor sustained. In some cases there has been a tendency for Affiliated Societies to be limited by the development of internal philosophical differences regarding animal welfare issues which cannot be resolved.

By contrast, the Ontario Humane Society, by establishing a large number of

Branch Societies has been able to apply surplus operating revenue generated in the more affluent Branch communities to other communities which would otherwise be unable to sustain an organized animal welfare and protection program. This "rob Peter to pay Paul" approach is at the heart of the rationale used by the Society to explain its program of establishing Branch Societies, and certainly works to the benefit of some communities.

Again, the major strength of the Branch Society is also its greatest weakness in that the strong central support and control can prevent a feeling of community involvement and lead to the kind of internal conflict which has developed in some Branches.

In our opinion, both Affiliated Societies and Branch Societies have served the Humane Society well. Changing circumstances require however, that a new organization direction be developed as discussed in the Mission and Organization recommendations.

. Operations

In conducting this study we encountered a range of views relating to the Society's involvement in animal control contracts in various communities.

Some interviewees claim that participation in such contracts provides a vital source of operating revenue needed to support a local shelter and other programs.

Others state that having Humane Society employees acting as animal control officers is damaging to the Society's public image and/or economically not worth the administrative burden it entails.

Our assessment is that this is not an issue which requires resolution on any overall basis at this time because:

. In some communities a complete integration of all animal control and welfare matters is both workable and effective. In others,

animal control activities are managed by the municipality or sub-contractors in which case the local Humane Society is not involved in animal control. The Humane Society can and does function effectively in either mode.

- The specific structure of animal control and welfare in a given community tends to be the result of how past and present attitudes relating to the community's needs have evolved. There is no evidence to suggest that one model is necessarily superior to any other.

- There is an apparent relationship between the strength of community based support for humane treatment of animals and the effectiveness of the local Humane Society.

For these reasons, we regard resolution of differing views on the Ontario Humane Society involvement in animal control contracts to be a less pressing issue than others facing the Ontario Humane Society.

- Relationships with External Organizations

The Ontario Humane Society is required to maintain working relationships with a wide variety of external organizations.

The most important of these are:

- Affiliated Societies;
- the Ontario Veterinary Association;
- the Ontario Federation of Agriculture;
- the Ministry of the Solicitor General;
- the Ministry of Agriculture;
- the Canadian Federation of Humane Societies;
- the Animal Welfare Foundation; and
- several municipal governments.

Generally, the quality of these relationships is low, and, in some cases, openly hostile.

On the part of Ontario Humane Society, we have observed a demonstrable pattern of:

- responding to criticism of Ontario Humane Society policy or practices by launching strong counter-attacks through the Press or through internal communications media like "Animals' Voice", Board minutes or Ontario Humane Society annual reports, thereby causing the Society to be embroiled in conflicts and controversy on an ongoing basis.

- generally treating individuals or organizations with different views regarding animal welfare issues in an adversarial fashion without much apparent success at finding middle ground.

For this reason, we believe that the low quality of external relationships is, in major part, attributable to the approach and attitude of Ontario Humane Society leadership. Even though some conflict with such groups as veterinarians and livestock producers is inevitable, the current degree of bitterness and acrimony is unnecessary and harmful to the long range objectives of the Ontario Humane Society.

Some Affiliated Societies have demonstrated the fact that more effective relationships with other interests can be achieved and that substantial benefits in animal welfare terms come from a less rigid and more co-operative approach to other participants in the animal welfare field.

- <u>OSPCA Act</u>

From the point of view of this study of the Ontario Humane Society, the most relevant provisions of the OSPCA Act are those which:

- empower Inspectors and Agents to exercise the "powers of a police officer" provided they have been "approved" by the Ontario Humane Society.

- require that all Societies in Ontario having as their object the prevention of cruelty to animals become affiliated with the Ontario Humane Society.

For reasons discussed in the law enforcement section of these findings (pages 5-6), we will not recommend any change in the Act as it pertains to the Society's law enforcement role. However, as discussed, the quality of law enforcement provided through the Ontario Humane Society Inspectorate does require substantial improvement and will be dealt with in our recommendations.

Section 10 of the Act provides the Society with a virtual monopoly in the animal welfare field by requiring other animal welfare groups who wish to participate in law enforcement to become affiliated to it. We believe that, in principle, this section is sound in that it brings a necessary degree of order and organization to the animal welfare field particularly with respect to law enforcement. This is, of course, only true as long as the Ontario Humane Society is itself an effective and responsible organization. Although we will not recommend that any change in Section 10 take place at the present time, we do suggest that the Ontario Humane Society demonstrate that it is willing to address other issues outlined in the Recommendations in order to retain the essentially monopolistic rights included in Section 10 of the Act.

While our assessment is that there is no need for fundamental changes in the principles involved in the Act, there are some specific problems which should be addressed.

- Section 15(2) of the Act allows the Ontario Humane Society to sell seized animals if the owner has not paid an account for boarding expenses within 5 days of its having been serviced or when the owner cannot be found. In our opinion, it should be clarified that the Ontario Humane Society cannot sell any

animals which are involved in a matter which is to come before the Animal Care Review Board since the Board may wish to rule that the animals be returned to the owners.

- There appears to be a need to provide the Animal Care Review Board with additional administrative resources to enable it to faciliate and expedite its functioning and the communication of its decisions.

- The Society's Board of Directors

The effectiveness of the Board of Directors of the Ontario Humane Society is inhibited by some of the following factors:

- the composition of the Board is defined by the bylaws of the society as being predominately made up of representatives, either of Affiliated Societies or of Ontario Humane Society Branches, with a small number (three) of Directors at large. This results in a Board of Directors which is large in size and therefore somewhat cumbersome. In view of the fact that many of the Affiliated Societies and Branches are located outside of Toronto, it is not reasonable to expect the present Board to be an active, involved management resource. As a result of these factors, day-to-day influence over the decision-making process of the Society is in the hands of an executive committee.

- because the composition of the Board is predominately from within the Society, there is a risk that its policy and decisions are excessively "inbred" and do not reflect the input of other important interests in the communities it serves.

- the senior professional employees of the Ontario Humane Society, the Executive Vice President, Mr. T.I. Hughes, is also a Director and member of the Executive Committee of the Society. In the opinion of some of the directors, Mr. Hughes

exercises an excessive degree of control over the affairs of the Society by virtue of his position as a Director and member of the Executive Committee.

Financial Management

This section consists of an outline of general financial findings in summarized form. Each of the findings is elaborated upon in detailed form in the Financial Findings and Recommendations section (p. 37-50).

A. Planning

We found no long range plans for the future of the Society containing quantified costs and benefits, which could be used with narrative strategic plans and annual budgets as the basis of a control system. Without these, delegation of financial responsibility and management by objectives becomes impossible. Since no prioritization of goals takes place, it is difficult to know whether the allocation of limited resources is done in a manner which supports the highest priority objectives of the organization.

There appears to be insufficient planning, organization and control of major initiatives or asset acquisitions, e.g. purchase and use of the Newmarket Farm. Inadequate research and information was made available to the Executive or Finance Committees of the Board to make decisions on major purchases or dispositions.

B. Budgeting

Since no input to the budget is received below the executive level there is no understanding of, or allegiance to it displayed by employees.

No variance analysis takes place on a regular basis. Moreover, the budget is prepared with consolidated figures only, rather than by program, shelter or branch. Therefore, it cannot be used as a tool for budgetary control.

C. Accounting

There is no senior Financial Officer within the Ontario Humane Society who is given the responsibility and authority to conduct the financial function from an operational and policy-making point of view.

Internal control systems possess a number of weaknesses as outlined in the detailed financial findings section of this report.

D. Cash Management

Current arrangements do not ensure that the Society's use of cash is maximized. For instance, Branch remittances to Head Office are by a variety of means, none of them electronic. Also, use of zero balance accounts is made for shelter operating expenses.

Netting of amounts - for instance, between positive balances on the general operating account and the overdraft facility - does not take place. This results in excessive interest payments by the Society.

E. Internal Reporting

The monthly management accounts do not show reporting by program, shelters or branches, and do not include an executive summary. It is not always possible to trace the management accounts to the computer printout as undocumented adjustments take place. Some branches pay operating and capital expenses from branch deposit accounts, which are not included in the consolidated accounts.

The branch profit and loss account is circulated three times a year to branch presidents only. There are no comparative figures, no distinction between controllable and uncontrollable expenses, and no budget.

F. Public Reporting

The present format of the annual report is not suitable for distribution as a

public relations or fund raising document.

G. Methods to Strengthen the Financial Position

There are few incentives for a Branch to operate in a surplus position. Nevertheless, some Branches are consistently profitable and there is a marked trend towards a surplus where a veterinary clinic or thrift shop is operated. Financial relationships between Head Office and some Branches are strained: for example, the Head Office ability to mortgage assets of the Branch is resented. There is no precise accounting of how money returned from fund raising initiatives to Head Office for other endeavours in Ontario is spent so that donors may be informed.

Apart from legacies, there is a need for a renewed corporate fund raising strategy and approach.

There is almost no area where significant cost reductions may be affected although there may be areas where a greater return on existing assets to the Society is possible.

. Operating Manual

An accounting manual has been recently commenced but needs significant work to complete.

. Computer

Operational and environmental controls are lacking: processing diary and office procedures are not formalized, back-up of current computer programs and master file changes are not made monthly and stored off-site.

The organizational responsibility for the computer and scheduling priorities is not defined, leading to a lack of control in the management information system.

There are a number of computer programming changes that could be made but these are not significant. The computerized membership system could be of more use for fund raising.

. Management

In our opinion, the growth in the number of Ontario Humane Society Branch Societies and the large geographic area which they serve has resulted in the fact that the management resources of the Ontario Humane Society are seriously overextended. While several Ontario Humane Society officials and employees believe that the wide range of management problems which are experienced by the Society could be solved by the provision of additional funds for administrative purposes, we find that the management problems are more complex in nature. Our findings with respect to the management of the Society are:

. Management decision-making authority is over-centralized at the level of the Executive Vice President. There is very little delegation of authority to other management employees of the Society. As a result the quality of administration is low and during the absence of the Executive Vice President, the operation virtually grinds to a halt. For example, only Mr. Hughes has the authority to authorize purchase orders exceeding $50.00.

. The responsibilities and work load of the Executive Vice President are extremely heavy. While the incumbent, Mr. Hughes, applies his impressive energies to his job in a most conscientious manner, the situation is clearly problematical in terms of the effective functioning of the Society. In a given week, Mr. Hughes, can be simultaneously involved in policy issues of the greatest importance and complexity, may personally negotiate a collective agreement with a union representing the employees of one shelter, may visit on an individual basis people who are considering bequests to the Society, inspect a shelter, negotiate a difficult municipal animal control contract, deliver a speech to a graduating veterinarian class

or civic organization and so on. So, while his own contribution to the Society is intense, that of the employees reporting to him is suboptimized.

. Given the extreme time pressure deriving from the overcentralization of management control and decision-making authority, it is not surprising that we observed the almost total absence of formal job descriptions, objectives, plans, policies and procedures guiding the performance of the employees of the Society. The overall approach to management seems to be one of ad hoc, almost reflexive decision-making. This is particularly characteristic of staff management practices. For example:

1) There is no objective basis for the determination of individual compensation arrangements.

2) Employees, who wish to achieve some improvement or clarification in their working conditions, state that they must conduct individual negotiations with Mr. Hughes directly. Not all employees feel confident enough to do so.

3) Among the more problematical issues in the area of staff management practices, is the fact that both Mr. Hughes' wife (Joy) and daughter (Debbie) are full time employees of the Society. Several other employees resent the implications of nepotism (even though Mrs. Hughes was recently laid off temporarily). This situation requires resolution.

4) Generally, employees realize that professional employment in the animal welfare field entails some personal sacrifice in terms of compensation and working conditions. In our opinion the degree of this sacrifice is excessive given the high performance demands which employees must

cope with. It is also partly unnecessary because it is as much the effect of management practise and style as it is of the economic circumstances of the Society.

The organization and administration management practices of the Society are in need of substantial improvement. In our opinion, additional administrative funds will not solve all of this problem.

. Education and Public Relations

At the present time, the primary educational activities of the Ontario Humane Society consist of the following:

Most Branch Societies have education committees which plan and implement community education programs. The Ontario Humane Society, through the Branch Liaison Officer, attempt to coordinate these activities by expediting the distribution of material, files and equipment.

The Education Committee of the Ontario Humane Society Board is working on the development of an animal welfare curriculum for use by teachers in the Province's schools.

The current level of community education and relations activity is surprisingly low and seems to have less priority than is the case in most of the Affiliated Society's we studied. This situation is one example of the extent to which the management and financial resources of the Society are overextended and dominated by immediate operational concerns, at the expense of objectives which seem more important to the future of the Society and animal welfare. In areas of public education and public relations, the Ontario Humane Society should be leading the Affiliated Society and such is not the case.

Summary

Over the past 20 years the Ontario Humane Society has been steadily increasing its direct involvement and control of animal protection and welfare matters at the community level throughout Ontario. The momentum of this very significant trend has been fuelled by the strong conviction of the leaders of the Ontario Humane Society, that it possesses more commitment, talent and resources than others in the field. While the increasingly centralized Ontario Humane Society has achieved fine results in some areas, it has contributed to the development of an animal welfare movement in Ontario that is not united and not functioning in a concerted fashion.

4. RECOMMENDATIONS

. Mission and Organization

While we suggest the terms Affiliated Society and Branch Society be retained for ease of understanding, it will be noted that the recommendations which follow involve changes in the role, relationships (to Ontario Humane Society) and responsibilities of both types of Humane Society organization.

> The mission of the Ontario Humane Society should be to actively encourage and support the establishment and effective functioning of local or regional Humane Societies throughout the Province.

In pursuing this mission, the Ontario Humane Society should:

- provide such integrative services as the Affiliated Societies require;
- set and monitor standards of animal law enforcement and animal shelter operation;
- coordinate the development of policy on important animal welfare issues as they develop;
- lead the development of effective humane education programs; and
- integrate fund raising programs throughout the Province on a partnership basis with Affiliated Societies and provide financial assistance to local Societies as required.

The original principle of the Ontario Society for the Prevention of Cruelty to Animals Act was to reinforce the Humane Society as a local organization made up of interested people from individual communities throughout the Province. Our findings are that the principle is still valid, although some communities do and will always have difficulty in sustaining the required degree of

community involvement and support. For this reason, we recommend that the Ontario Humane Society see its role as one of fostering the development of strong Affiliates. The Branch Society, as a form of organization, is a valid response to a situation in which a successful Affiliate is not possible, but only in those circumstances and only until such time as effective community support and autonomy can be reestablished.

This concept of the Ontario Humane Society as the parent coordinating body in the Ontario Humane movement also requires that the Affiliated Societies assess their own relationships to the Ontario Humane Society. Since the Ontario Humane Society has consistently offered support and assistance to those Affiliates which were encountering difficulties over the years, it has every right to expect that prosperous and stable Affiliates will also contribute to Humane Society objectives throughout the Province.

Most importantly, the adoption of this recommendation regarding the Mission of the Ontario Humane Society would provide the framework needed to unify the overall welfare movement in Ontario.

> The Ontario Humane Society should undertake a major program of converting Branch Societies to Affiliated Societies.

In recognizing that not all of the communities in which Branch Societies currently operate have a realistic prospect of developing a viable Affiliated Society, we recommend that a task force consisting primarily of Ontario Humane Society directors be established for the purpose of managing the major conversion of Ontario Humane Society organization.

It will take some time to deal effectively with all of the issues which this program will raise and we suggest that the task force establish a goal of converting all of the Branches which have the potential to be successful Affiliated Societies within the next three years. In the process of arranging for each of the Branch Societies to be examined as to their prospects of surviving as an Affiliated Society, the Ontario Humane Society task force will have to work with local government, veterinarians and Branch Boards on an

individual basis.

Each Affiliated Society should maintain its own inspection and law enforcement operation where possible, but be supported in both an operational and functional fashion by the Ontario Humane Society.

This program of conversion will involve a very major commitment of time and energy on the part of those who are to be involved in it.

> Upon the completion of the conversion program those Branch Societies, which in the opinion of the task force do not have the potential of function as Affiliated Societies, should be grouped in an operational arm of the Ontario Humane Society to be called Branch Operations. The Branch Operations should be managed by an executive of the Ontario Humane Society whose exclusive concern would be the direction of Branch Operations.

The operation of the Ontario Humane Society Branches should be strictly separated from the financial and management point of view from the other activities of the Ontario Humane Society.

The only exception to this organizational principle would be that the Ontario Humane Society Inspectorate would provide law enforcement services to Branch Societies on a cost recovery basis.

Remaining Ontario Humane Society Branches should be financially managed on a quota system as outlined in the detailed Financial Findings and Recommendations.

Once the program of conversion has begun, consideration should be given to a new schedule of affiliation fees to provide the Ontario Humane Society with the value of the services they will then be providing: both to Affiliates, and to Province-wide animal welfare objectives.

. Law Enforcement Role

The Inspectors and Agents of the Ontario Humane Society and its Affiliated Societies should continue to be involved in the enforcement of the OSPCA Act and the relevant provisions of the criminal code.

The Ontario Humane Society should continue to encourage and support the efforts of individual Affiliated Societies to establish Municipal animal protection by-laws and contracts for their enforcement.

The Ontario Humane Society Inspectorate should be significantly upgraded in terms of its resources and performance. The following actions are recommended to accomplish the necessary improvements:

- The Society should create the new position of Chief Inspector, who should be a person with substantial experience in an Ontario police force and be familiar with contemporary standards of law enforcement practice. The existing Senior Inspector would report to this new position.

- The Inspectorate should be organizationally separated from the other activities of the Ontario Humane Society. That is to say, the Inspectorate under the Chief Inspector, would be staffed with qualified people who do not become involved in other administrative duties within the Society.

- The law enforcement activities of the Ontario Humane Society should meet standards of staffing and performance as approved by the Ontario Police Commission. Initially these standards should be developed by the Ontario Humane Society and be submitted for approval to the Ontario Police Commission. As part of this, their role should be defined specifically to provide for powers and responsibilities that are distinguished from those of a police officer. In this way, the Society can be made accountable for the manner in which it manages its law

enforcement mandate to a responsible and knowledgeable external authority.

- All present and future Inspectors of the Ontario Humane Society or Affiliated Societies should complete a course of training in technical law enforcement matters and standards of conduct to be provided to the Society by the Ontario Police College, as a condition of their appointment. This requirement would contribute to improved standards of performance.

- The Inspectorate of the Ontario Humane Society should be funded in total by the Ministry of the Solicitor General. Funds should be be allocated to the Ontario Humane Society Inspectorate following an annual submission outlining plans, anticipated scope of operations, detailed staff complement etc.

- The Ministry of the Solicitor General, through the Ontario Police Commission and its Internal Audit Branch, would complete an annual audit to ensure that the funds provided to the Inspectorate are applied exclusively to law enforcement purposes. The annual audit by the Ministry of the Solicitor General would consist, in addition to financial matters, of an operational audit to assess and monitor ongoing standards of performance.

- The cost of funding the Inspectorate of the Ontario Humane Society, including provision for a new Chief Inspector, is estimated in the range of $500,000/annum. We suggest that the current annual grant of $87,000 be increased to $500,000 in steps over a five year period. An estimate of financial requirements for the Inspectorate will be found in Exhibit II. This estimate represents a reasonable basis for further discussion between the Ministry of the Solicitor General and the Ontario Humane Society.

- The Ministry of the Solicitor General law enforcement grant should be applied to the inspection activities of the Ontario Humane Society, its Branch Operations and its Affiliated Societies, with the proportion allocated directly to Affiliated Societies increasing as more Branches become Societies. The grant, although administered by the Ontario Humane Society, would be intended to support all overall law enforcement activity (Branch and Affiliates) throughout the Province.

  We suggest that the ability of Affiliated Societies to support their own inspection operations, through municipal contracts continue to be encouraged so as to minimize dependence on the Ministry grant to the extent possible.

- The staff complement of the Ontario Humane Society Inspectorate should be roughly doubled in the short term, but may be reduced in time as the number of Affiliated Societies increases and as they develop their own inspection operations.

- Authority to appoint an Inspector should rest with the Ontario Police Commission. The Chief Inspector of the Ontario Humane Society should have functional authority over the standards of inspection activities of the Affiliated Societies including matters of staffing and performance. For example, the Chief Inspector's functional endorsement of Inspector appointments should be required as a pre-condition of approval by the Ontario Police Commission. Similarly, Affiliated Societies should recognize the authority of the Chief Inspector to ensure standards of training and performance.

- We recommend that the Ministry of the Solicitor General review the structure and functioning of the Animal Care Review Board with a view to upgrading its resources and therefore its ability to expedite its deliberations and decisions.

. Relationships With External Organizations

We recommend that a special effort be made by the Ontario Humane Society and the Ontario Veterinary Association to resolve the differences outstanding between their respective organizations. We further suggest that the Ministry of the Solicitor General appoint an independent chairperson to chair a committee to be comprised of three directors each of the Ontario Humane Society and the Ontario Veterinary Association for the purpose of resolving and examining current differences including:

. Guidelines defining the basis on which the Ontario Humane Society or an Affiliated Society practice veterinarian medicine. We suggest the the right of the Ontario Humane Society to practice veterinarian medicine be restricted to:

  - spay/neutering;
  - emergency care; and
  - any service to an animal whose owner can give evidence of economic hardship.

. The fees and advertising policy relating to the above services.

. The basis upon which the Ontario Veterinary Association monitor standards of animal medicine practised by the Ontario Humane Society.

. The procedure by which any differences relating to the above matters are to be resolved.

. The establishment of a basis and procedure for ongoing dialogue between the two organizations.

. Our assessment of the current conflict between the organizations is that both will need to consider the legitimate interests of the other party. Some compromising of existing

attitudes will need to take place on both sides.

- Once the recommended committee has completed its deliberations, its report will be submitted to the Ontario Government for consideration.

- If the committee is unable to resolve these and other differences, the chairperson shall have the authority to recommend a solution to the Government of Ontario.

We recommend that representatives of the Ontario Humane Society Board of Directors meet with responsible officials of the Ontario Federation of Agriculture for purposes of establishing a better understanding as to how law enforcement and farm animal seizures in particular will be conducted by the Ontario Humane Society Inspectorate. We do not recommend that the Ontario Humane Society be in any fashion accountable to the Ontario Federation of Agriculture, but we do believe that a responsible consideration of the concerns of farmers with respect to Ontario Humane Society procedures and a clarification of the interests of both groups will serve to reduce the current climate of mutual antagonism.

A sub-committee of the Board of the Ontario Humane Society should be established for purposes of considering ways and means of improving the quality of relationships between the Society and the several external organizations with which it must maintain ongoing relationships. It is difficult to make specific recommendations in this area but it is clear that the Ontario Humane Society needs to adopt a more positive philosophy and approach to other individuals and organizations in the animal welfare field.

- Financial Management

Our financial management recommendations are presented in general form in this section. Further elaboration can be found in the detailed financial findings and recommendations on pages 37-50.

A. Planning

Quantified long range plans should be prepared, linked with narrative strategic plans and budgets. Goals should be prioritized according to predefined criteria.

Cash flow should be prepared for different options available on the acquisition or disposition of an asset, showing operating costs, sources of funding, timetables and responsibility.

B. Budgeting

Budgets should be prepared on a "bottom-up" basis from the smallest units by program.

Regular variance analysis should be prepared, reported, and used as a basis for management by responsibility.

C. Accounting

Authority and responsibility should be delegated to a senior financial officer for financial planning and budget preparation, financial operating controls, policy-making, reporting and negotiation of the financial position of the Society with outside parties.

D. Cash Management

Wire transfers and zero balance bank accounts should be used for Branch and Shelter remittances.

The netting principle should be used more frequently to ensure minimal interest only is payable. This may be done by offsetting operating fund positive balances against the overdraft facility on a daily basis, and for Shelter trust accounts against the non-revolving loans and letters of credit.

E. Internal Reporting

The monthly management accounts should include reporting by program by Branch and incorporate an executive summary. An "audit trail" between the computer printout and the monthly accounts should be prepared regularly.

The Branch profit and loss account should show comparative figures, budget, and receive a wider circulation. The method of calculation and basis of reporting uncontrollable and controllable expenses needs reconsideration.

F. Public Reporting

The Annual Report should be significantly revised. The format should be more in the style of a corporation's annual report and include minimal narrative that is not directly program-related. A listing of sponsors, volunteers and legatees should be included.

G. Methods to Strengthen the Financial Position

Consideration should be given to a 'quota' system for the Branches, whereby an agreed contribution to overhead and other specified programs is budgeted each year. This would obviate the current method of calculation of uncontrollable expenses in Branch profit and loss accounts; it would also provide a definite incentive for Branches to sustain profitable operations as the surplus after providing for the agreed contribution to certain programs would become available for the Branch's own use.

Disposition of the proceeds of Branch fund raising initiatives must be understood and reported - using graphics where possible.

Incentives for Branch profitability include freedom from mortgaging of assets acquired by the Branch.

Acquisition of assets by the Society can only be justified in terms of diminished net outgoings over a number of years when compared with rental

costs, or inability to locate rented premises suitable for adaptation to special purpose buildings. The current initiative towards utilizing the buy-back clauses in municipal contracts should be continued.

Further utilization of existing assets should be considered, such as the print shop equipment.

Operating Manual

The financial part of the operating manual should be started without delay in a predetermined format.

Computer

Operational controls such as the processing diary and office procedures must be defined. The program master files and file hard copy must be stored offsite monthly.

Responsibility for the computer and its scheduling priorities must be defined and respected.

As a long-term priority, consideration should be given to upgrading the membership system.

Internal Structure and Management

We recommend that the Board of Directors of the Ontario Humane Society establish a sub-committee to consider the means by which necessary improvements in internal structure and management practices can be made. Specifically, it should consider the following actions:

- The organization structure should be amended to provide more effective management of each of the major sub-functions of the Society:

- Inspection and Law Enforcement;
- Branch Operations;
- Administration;
- Public Relations and Education; and
- Fund Raising.

Appendix I, facing, contains a chart describing this structure.

A qualified manager should be placed in charge of each of these sub-functions with clear objectives and authority within agreed plans and programs. Appropriate authority for financial and staff decisions should be delegated to each of the functional heads as a means of establishing an appropriate degree of decentralized management control. We regard this as a necessary step to overcome the extreme over-centralization of the current internal structure. Budget constraints may necessitate the combining of more than one of these functions under one manager, but this could occur without damage to the principal requirement of achieving some internal decentralization.

More detailed organization recommendations must await a decision relating to a revised mission for the Ontario Humane Society.

A formal study of compensation should be conducted to ensure that an appropriate relationship between individual responsibility and compensation can be achieved. With appropriate guidance, this compensation study can be conducted by the Ontario Humane Society itself.

In making this recommendation, we appreciate that it may be the policy of the Ontario Humane Society to pay salaries which are relatively low by community standards.

At the same time, there needs to be a rational and equitable basis for salary determination even within that kind of policy.

The accountabilities of the Executive Vice President should be revised. If the structural changes recommended are adopted, it will be possible to reduce the burden of much of the day-to-day operational activity of the position of Executive Vice President. The Board could then direct the Executive Vice President to apply his energies to non-operational activities of the following kind:

- strategic plans and overall goals;
- provision of advice, counsel and support to the Affiliated Societies;
- development and execution of fund raising programs;
- development of training and education programs for animal welfare professionals in Ontario;
- relationships with external organizations;
- implementation of plans and programs as established by the Board of Directors;
- research and policy development in the animal welfare field; and
- organizational conversion of Branch Societies and development of strong Affiliated Societies.

The Society's Board of Directors

We recommend that the composition of the Board of Directors of the Ontario Humane Society be altered as follows:

a) Reduction in the proportion of directors who represent either Branch Societies or Affiliated Societies. Such directors should not represent more than half of the Board. The presence

of Directors who serve on the Board in a true voluntary capacity and whose own backgrounds are in organizations other than animal welfare organizations would help the Ontario Humane Society to take a more balanced and reasoned view towards its own affairs and its relationships with external communities and organizations.

b) The tenure of Directors, except those who become Officers and Executive Committee members, should be restricted to six years.

c) Tenure of Directors who become Officers may be extended as follows:

- Officers should not serve in the same portfolio for more than two years. The Executive Committee should consist of a balance of experienced Officers and people who are relatively new to the Executive Committee.

- The retiring Past President should leave the Board of the Society.

The purpose of points b) and c) above would be to establish and maintain a mix of experienced and newer people. This will assure that the policies and views of the Society are flexible and responsive to changing conditions. Past Presidents may be re-elected to the Board after a retirement period of three years.

d) The Board of Directors of the Ontario Humane Society should include representatives of other major organizations with which the Society has ongoing relationships such as:

- The Ontario Veterinary Association;
- The Ontario Federation of Agriculture;
- The Ministry of the Solicitor General; and
- The Ministry of Agriculture.

This would serve to support positive external relationships and improve the quality of policy formulation and decision-making.

e) The Board of Directors of the Ontario Humane Society should adopt a conflict of interest by-law in keeping with normal practices in similar organizations.

f) In support of this reconstituted Board, the following standing committee structure should be maintained:

- Executive Committee (to include financial policy matters);
- Audit Committee;
- Public Relations and Education Committee; and
- External Relationships Committee.

g) The above changes in the composition of the Board and its standing committees will require changes in the Society's By-Laws.

Education and Public Relations

The Ontario Humane Society should take a leadership role in the training and development of people involved in the aninal welfare movement in Ontario.

The Ontario Humane Society should develop training courses and sponsor conferences for professional animal welfare staff in Branches and Affiliated Societies. Some or all of the following programs would serve to unify and develop people involed in humane work:

- Officers and Directors of the Ontario Humane Society, Branch Societies and Affiliated Societies;
- Executive Directors of Affiliated Societies;
- Inspectors and Agents of Branches and Societies;

- Shelter supervisors and administrators of the Societies, Branches and Municipalities; and

- People involved in fund raising on behalf of the Society and its Affiliates.

The Ontario Humane Society, through a special effort of the Board's Education and Public Relations Committee should develop an overall strategy and program for public education in the animal welfare field. The committee should examine the programs of the Affiliated Societies which have achieved worthwhile results in this area. In considering the recommendations of the committee when completed, the Board should allocate adequate funds and staff resources to ensure that the Society's work in the public education field achieves the results required.

Fund Raising

We recommend that the Society develop a new and comprehensive strategy and related programs to improve its fund raising activities. While the effectiveness of existing programs in the areas of bequests and community giving programs has been substantial, new strategies and a more formalized program are also necessary.

We believe it would be in the interests of the Ontario Humane Society, for the Board to direct Mr. Hughes to devote a substantial proportion of his time to this objective. Mr. Hughes' formidable talents in communicating to a broad cross-section of audiences on animal welfare issues represents a unique asset in terms of mobilizing public support for animal welfare.

The overall philosophy of fund raising should emphasize partnership between the Ontario Humane Society, its Branches and Affiliates. This philosophy should be reflected in joint fund raising programs and in the development of a formal allocation mechanism to ensure funds support the overall mission of supporting local or regional Humane Societies. It would also eliminate competition between the Ontario Humane Society and its Affiliates for donations from the same communities.

The Ontario Humane Society needs a fresh approach and program for fund raising, and the Board should mobilize a concerted program in this direction.

PRICE WATERHOUSE ASSOCIATES,

TORONTO, November, 1982.

5. FINANCIAL MANAGEMENT
DETAILED FINDINGS AND RECOMMENDATIONS

OVERVIEW

The detailed findings and recommendations have been covered under the following topics:

A. Financial Management: Planning
: Budgeting
: Accounting
: Cash Management
: Internal Reporting
: Public Reporting
: Methods to strengthen the financial position

B. Financial Operating Manual

C. Computer issues

The definition of priority attaching to each of the recommendations is as follows:

Immediate: Within six months.

Medium term: Between six and eighteen months.

Long term: Over eighteen months.

Society personnel have responded positively to the comments made during the course of our review, and have implemented some of the recommendations already.

ONTARIO HUMANE SOCIETY
DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
A. Financial Management: Planning	There are no formal, quantified long range plans in existence.	Prepare narrative strategic plans by program (e.g. law enforcement, central administration, municipal contracts). Update annually. Include: . definition of each program . description of assumptions used in terms of government support and economic conditions . at least a five-year time horizon	Immediate
	No quantified goals or priorities are enunciated so that programming and budgeting may be supported.	Attach priorities to programs, and levels of services within programs, to facilitate the preparation of program costs and budgets. In this context: . list clients for programs . evaluate their importance based on criteria such as geographical location, "fundability" and maximization of return . allocate quantitative and qualitative goals to programs . allocate resources to programs	Immediate
		Prepare long range plan by program covering at least a three-year time horizon. Include cash flow forecast. Update annually, using first year as review point for the budget preparation.	Immediate
	Major prospective initiatives are not supported by adequate back-up information for decision-making.	Prepare detailed, well researched information for the Board of Directors. Show tangible and intangible costs and benefits. Present a work plan with assigned responsibilities for ascertaining information and update regularly for each meeting.	Immediate
		Consider sources of funding, and provide, where the initiative is commenced, high quality project management.	Immediate

ONTARIO HUMANE SOCIETY

DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
	For the Newmarket farm project, there exists a detailed narrative document dated 1978 describing the farm's purpose: but no phased timetable showing the total costs and financing arrangements of each step. As at September, 1982 no final architectural design had been adopted or feasibility analysis made.	Prepare a discounted cash flow analysis for the Newmarket project. Use the discounted cash flow preparation guide in Appendix A.	Immediate
A. Financial Management: Budgeting	The budget is not prepared in a timely fashion using detailed "bottom-up" information, but on an incremental basis. The budget is not prepared in such a way as to encourage employee allegiance, nor in sufficient detail to be informative.	Prepare a budget commencing in August or September of the preceding year and cover the following phases: . dissemination of budget timetable and responsibilities. Include assumptions to be made, e.g. maintenance of existing contract service . preparation of budget from the lowest units and by month . consolidation by program and by branch . review by senior financial officer and Executive Committee . adjustment at program/branch level with the original preparer's concurrence . correlation of the budget with the long range plan	Immediate (for 1983)
	The budget is not used as a tool for control.	Prepare monthly variance analyses by branch and by program. Use as a basis for delegation.	Immediate/ Medium term
		Examine the possibility of flexible budgeting when the process is well established.	Long term
	Some capital purchases have not been budgeted for, e.g. coin counting machine. Other budgeted purchases, considered a priority early in the year, have not been made because of financial constraints.	Prepare the capital budget at the same time and under the same assumptions as the operating budget.	Immediate (for 1983)

ONTARIO HUMANE SOCIETY
DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
A. Financial Management: Accounting	No responsibility or authority for the financial management of the Society has been given to a senior financial officer. Currently the Executive Vice-President: . authorizes all purchase orders over $50 . signs most cheques, in practice; although the Society's By-Laws state that either his signature (or the Executive Secretary Treasurer's) is mandatory only on cheques over $5,000 . negotiates the Society's financial position with outside parties (municipalities, CUPE, tradesmen, bankers)	Locate a suitably qualified and compatible individual as senior financial officer. Remunerate such a person at market rates.	Immediate
		Draw up job description for the position, including clear definitions of the extent of responsibility and authority. Delegate: . financial plan and budget preparation . financial operating controls . financial policy-making . financial reporting . negotiation of Society's financial position with outside parties . financial program evaluation	Immediate
		Prepare an orientation session for the individual.	Immediate
	Until recently the Society has suffered staff turnover in the position of Controller, and has been unable to fill the position of the Executive Secretary Treasurer on the retirement of the previous incumbent.		
	There is, with the existing small number of accounting employees, insufficient segregation of duties in cash transactions. For instance, the same member of staff prepares cash tapes, deposit slips, handles NSF cheques and collects bank statements.	Ensure that duties are spread amongst all the accounting staff. For instance: . ensure that the person preparing the cash tapes is a different member of staff from the employee preparing deposit slips . ensure that a third member of staff deposits cash and checks to tapes to the deposit slips . ensure that incoming cheques are endorsed immediately	Immediate
	There is insufficient review of internal controls on a regular basis.	Review systems of internal control regularly.	Long term

ONTARIO HUMANE SOCIETY

DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
	Review procedures are inadequate: . accounting distribution in the general ledger is not always corrected when necessary . the payroll, and the payroll reconciliations prepared by the Scotiabank are not reviewed . no evidence of journal entry review exists . no log is made of the use of the cheque signing plate . some standing order payments have been located relating to equipment not in possession of the Society	Set up daily review procedures for: . general ledger accounting distribution . payroll, and payroll bank reconciliations . journal entries . cheque signing plate log of usage	Immediate
	The accounts payable cycle is inefficient. . no aged listing of accounts payable exists . payments are made on frequent irregular bases . signed cheques are kept until there are sufficient funds available . the system has resulted at least once in double payments and disconnection of utilities . not all manual cheques are recorded on dispatch resulting in an understatement of expenses . the difficulty of determining in which stage the payment cycle of the invoice is results in misuse of management time and occasional mis-information to suppliers	Set up regular procedures for: . entering invoices into the accounts payable system on receipt . write out cheques or institute computerized cheque production on a regular basis . prepare a contingency listing of all payables outstanding, and enter into terms, if necessary, with suppliers . dispatch cheques as soon as they are made out and signed; and update the accounts payable listing (manually, if necessary)	Immediate

ONTARIO HUMANE SOCIETY

DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
	Bank reconciliations are not regularly prepared: . the operating account has not been reconciled since December 31 . the legacy and master charge accounts had not been reconciled since February 28 . the bank reconciliation capability of the IBM 32 is not used	Prepare monthly bank reconciliations promptly on receipt of the bank statement.	Immediate
	Documentation for financial transactions is not methodically kept, nor easy to access: . no numerical control of pink cheque copies is possible . some general ledger transactions are not supported	Institute filing systems for all accounting vouchers. Ensure easy access to vouchers through labels and directions.	Immediate Immediate
	No evidence of competitive bidding exists.	Define situations where competitive bidding is necessary, e.g. contracts over $200. Ensure that at least three suppliers are circulated and provide a written estimate. Document reasons for final choice.	Immediate
	According to the Ontario Society for the Prevention of Cruelty to Animals Act 15(2), a seizures account should be maintained with money owing to the owners of animals seized after deduction of the Society's costs: no evidence was found for the use of that account this year.	Use the inactive seizures account for all monies received and make transfers from it to the Society's operating account to cover the Society's costs	Immediate
	Some rationalization of bank accounts and signatories is required.	Ensure that the senior financial officer becomes a cheque signing officer and that the constraints outlined in By-Law 5 are maintained.	Immediate/ medium term
	Accounts receivable billing is not prompt.	Ensure that accounts receivable billings are prepared in advance of the month and send out promptly.	Immediate

ONTARIO HUMANE SOCIETY
DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
A. Financial Management: Cash Management	The time during which the Society loses the use of its money is not minimized: . remittances come to the Society by a variety of means, none of them electronic . no use of zero balance bank transfer accounts is made	Explore the use of electronic funds transfers and zero balance bank accounts with the Society's bankers.	Immediate
	Netting of some financial facilities against others does not take place:	Investigate possibility with the branch Presidents of entering into a promissory note agreement at a lower rate of interest from that available from the commercial banks	Immediate
	. the possibility of netting branch fund raising accounts against the operating overdraft has not been explored	Net positive operating account balances against all other facilities daily.	Immediate
	. the netting of any positive operating account balances against the four other facilities with the same bank does not occur daily . the possibility of netting branch remittances against requirements on a trial basis has not taken place	Consider netting branch remittances against requirements on a trial basis.	Long term
	Seven shelters utilize operating account at present.	Target which shelters and supervisors over a period of 18 months may move to utilizing their own operating accounts. Aim to have as many as practicable converted to separate accounts.	Immediate

ONTARIO HUMANE SOCIETY
DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
A. Financial Management: Internal Reporting	The monthly accounts do not provide the most complete management information: . there are undocumented adjustments between the computer printout and the monthly account . there is no executive summary . there is no reporting by branches or programs (or by budget) . expenditures for both operating and capital items are passed through branch fund raising accounts without necessarily being recorded in the Society's books . there is no cash flow information . the accounts are not prepared on a timely basis The branch profit and loss account is not circulated fully and is not in an informative format: . it is circulated three times a year to Branch Presidents . it contains no comparative figures with last year's actual data and the current budget . it does not separate controllable and uncontrollable expenses	Ensure that the monthly accounts are as complete as possible: . prepare "audit trail" for preparation of the monthly accounts . prepare executive summary regularly . define reporting requirements by program and branch: prepare report on a trial basis and then ensure that all fund raising account information accompanying remittances returned from the branches includes the gross receipts and expenses . prepare variance analysis . prepare cash flow . show shelter results and branch results . show contribution to overhead or program from each location . prepare the accounts within 10 working days of the next month . prepare, and adhere to, a closing schedule Re-define the contents of the branch profit and loss account and their circulation: . circulate the branch financial accounts every month . include comparison with last year's budget . include direct expenses only; plus budgeted contributions to certain programs, e.g. central office overhead, education, mobile veterinary clinic, to the extent made available by the surplus	Immediate Immediate Medium term Immediate Immediate Immediate Immediate Immediate Immediate Medium term

ONTARIO HUMANE SOCIETY

DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
	For internal reporting purposes, there is no use of program or fund accounting: for instance, the profitability of veterinary clinics is not compared within the branch operations.	Define programs where specific accounting for funds is necessary, e.g. veterinary clinic, law enforcement, major capital projects, capital accounts funded by individual restricted, and general unrestricted legacy receipts. Ensure that these programs are part of the definitions in the strategic plan.	Medium term
A. Financial Management: Public Reporting	The Annual Report is not suitable as a public relations document.	Re-format the Annual Report so that it resembles the style of a corporation's annual report. Include: . brief highlights on major programs . list of legatees and major sponsors . volunteers, with thanks . "junior achievement awards" . future plans . map of Ontario areas covered by branch operations . positive profile photographs . balance sheet, profit and loss (including programs, funds) and auditor's report	Medium term
		Bind the balance of information required for the AGM into an executive report available only for those attending the meeting.	Medium term
A. Financial Management: Methods to Strengthen the Financial Position	The May financial statements show a deficit of $104,000 against a projected deficit of $168,000 for the year.	Proceed immediately with all recommendations defined as immediate in this section.	Immediate

ONTARIO HUMANE SOCIETY
DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
	There is a fundamental lack of incentive for the branches to commence and sustain financially viable operations: . shelters do not possess operating autonomy, although the branch executive is instrumental in arrangements to set up each shelter . branch treasurers are concerned primarily with fund raising and the bank accounts relating to funds collected . members of branch boards feel concerned that head office may move to re-finance and dispose of, or forbid purchase of, certain assets which the branches perceive as their own . branches with auxiliary activities such as veterinary clinics or Thrift Shops show more consistent profitability . some branches are consistently unprofitable and need reconsideration in terms of support from head office . no recognition other than verbal is given to areas from where material legacies are received . there is concern over the amount of the existing central charge, calculated as 15% of the direct expenses of each branch	Adopt a policy of operating autonomy, acting only in a consultative role and aiming to encourage independence of branch operations over a certain period. Institute a 'quota' system of budgeting and reporting for branches, whereby: . direct expenses are covered by projected branch operations . a surplus after the deduction of direct expenses is budgeted as a contribution towards different programs (including central administration overhead) . amounts raised by the branch in excess of their program contributions defined above may be spent at the branch board's discretion . a credit is given to the branch against their budgeted program contributions reflecting a percentage of major legacies earned from that area Adopt a policy of minimal interference from the refinancing of branch assets, except when essential to ensure that the spirit of the mandate of the Society is fulfilled, or an emergency requires the action. Where practical, utilize branch treasurers in the shelter operations. Encourage the setting up of Thrift Shop operations. Investigate the possibility of veterinary clinic establishment: . requiring evidence of low income or emergency prior to treatment . with the concurrence, and preferably assistance, of local veterinarians . with minimal capital expenditure on the part of the Society	Medium term Medium term Medium term Immediate Medium term

ONTARIO HUMANE SOCIETY
DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
		For every unprofitable branch, determine: . what measures may be taken for special fund raising initiatives or cost reductions in shelter operations . whether it should be supported by other branches by reason of location . if so, form a program for its support from other branches as part of their quota . if not, or if support from other branches is budgeted at an insufficient level, allow a predefined period before withdrawing support	Immediate
	The policy of holding land and buildings is premised on adequate cash flow to support the debt, and that net present value of the sale and usage is greater than the rental of premises for the same level of operations.	Continue Society's current policy of returning shelters to the municipalities under buy-back clauses.	Immediate
		Do not purchase further assets except where the need for a special purpose building is absolutely not satisfied in any other way.	Immediate
		Continue efforts to sell the Orillia land acreage.	Immediate
		Resolve the ownership of the Sudbury shelter acquired after bankruptcy of the local Affiliate Society by sale or through share purchase by the municipality. Negotiate for the mortgage interest on the loan, foregone until September 1982, to be forgiven for a longer period.	
		Do not use mortgaging as a means of financing ongoing operations except in emergencies.	
		In the light of the maximum annual usage of 305 animals sheltered at the farm since the time of purchase, consider the sale or re-use of all or part of the Newmarket farm, prior to the renewal of the mortgage in December 1982, based on the discounted cash flow analysis to be prepared by the Society.	Medium term
		(Note: If these three properties are sold, 64% of land values, 41% of buildings and 61% of the mortgages outstanding -	

ONTARIO HUMANE SOCIETY

DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
		based on cost at December 31, 1981 - would be removed and a good percengage of the monthly mortgage payments of $5,000 would be obviated.)	
	The current capitalization limit is ad hoc and varies from lower limit to $100.	The viability of the Society is dependent upon its asset values maintaining their level, and because of special purpose usage the properties are not susceptible to open market purchase: therefore ensure regularly that the fixed assets, particularly those in categories other than land, hold their value for net book purposes by frequent and stringent analysis and physical counting.	Immediate
	Fund raising, apart from solicitation of legacies, is not carried out in a well organized manner.	Prepare a detailed strategy: . identify target companies . perform research on the companies . set up information by program for funding purposes (whether core funding, project funding or capital funding) . write a funding proposal suitable for distribution to prospective donors and outlining the parameters of the program . set up contacts documentation, including profile sheets and retain all correspondence . ensure sponsors are kept regularly informed . cost fund raising initiatives so that the more succesful are repeated . assign responsibility on an annual basis . ensure that reporting at the branch level back to the public before and after a fund raising event is clearly promulgated	Immediate
	Not all expenses relating to fund raising are recorded.	Ensure that all expenses relating to fund raising are recorded at the branch level and included in the documentation supporting their remittances.	Immediate

ONTARIO HUMANE SOCIETY

DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
	The increase in expenses has exceeded the increase in revenue over the last two years. Consequently the working capital deficiency has materially increased. Certain cost reduction should be made: . vehicle expenses are extremely high; and . there is an outflow of $1,900 per month for print shop equipment	Ensure that vehicle maintenance logs are regularly prepared and reviewed.	Immediate
		Encourage the use of print shop facilities for member publications and branch information. Consider charging other charities on a cost basis to encourage full utilization of the facilities.	Long term
	The current membership of $2.00 entitles the holder to four issues of the Animal's Voice.	Circulate each member and suggest that $5 or $10 would be more appropriate for 1982 membership, and that a tax certificate will be issued.	Immediate
	No tax certificates are issued for receipts under $10, whether donations or memberships.	Prepare a program of all other items, such as children's educational documents (or a child's alphabet of animals), to be printed by the facilities and make available to members at extra cost by subscription.	Long term
	The Society has not shown itself able to attract younger people as donors, members, volunteers or branch executives.	Strengthen the school program.	Medium term
		Increase members of Kindness Clubs.	
		Gear Animal's Voice to children.	
		Encourage Boards to appoint at least one younger person for 'succession purposes'.	Long term
	The financial relationship between Affiliate Societies and the Society is not advantageous to the Society: . the affiliate fee is a maximum $250 based on the affiliate's annual operating expenditures . advice is given to affiliates by OHS staff such as the Executive Vice President and Chief Inspector, free of charge	Ensure that Affiliate Societies pay a fee to the Society based on the number of inspectors warranted or geographical territory covered.	Long term
		Consider charging consulting advice made available to affiliates by the Humane Society officials on an hourly basis.	Medium term

ONTARIO HUMANE SOCIETY
DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
B. Financial Operating Manual	A head office accounting manual has been commissioned, in February, but progress has been extremely slow. There is no provision for accounting policies. Additionally, no financial manual is available for use of shelter supervisors.	Set up timetable and responsibilities. Prepare an accounting manual to cover the table of contents, using the supporting schedules set out in Appendix B.	Immediate
C. Computer	The operational controls require improvement: . except for the operator's run instructions, documentation for the general ledger and accounts payable systems is not specific . the processing diary and office procedures are not formalized and documented	Improve operational controls: . prepare documentation as part of the financial manual . prepare a realistic processing diary and adhere to it. Determine task priorities of the operator.	Immediate
	Environmental controls require improvement: . hard copy of current computer programs is not stored off site . master files are not run monthly and the hard copy stored off site . copies of systems, operators' and users' computer documentation is not stored off site . alternative processing facilities have not been arranged . the door to the computer room is not always locked outside working hours	Improve environmental controls: . store hard copy printout of computer programs off site . run master files monthly and store off site . store copies of systems, operators' and users' computer documentation off site . arrange alternative processing facilities for a disaster situation . ensure that the door to the computer room is locked outside working hours	Immediate
	Organizational responsibility for the review of edit and validation messages, authorization of file changes and scheduling priorities is not clear.	Ensure that these matters are covered in revised job descriptions and include in financial manual.	Immediate

ONTARIO HUMANE SOCIETY

DETAILED FINANCIAL FINDINGS AND RECOMMENDATIONS

TOPIC	FINDINGS	RECOMMENDATIONS	PRIORITY
	Little use of the Data File Utility (DFU) facility is made to produce flexible ad hoc reporting when no standard program is available to retrieve existing data.	Encourage the use of DFU by trained and experienced staff members to satisfy the need expressed by a number of Society employees for better use of existing information.	Medium term/ long term
		Ensure that internal control implications of using the DFU (which could be used inadvertently or in an unauthorized manner to alter records) are recognized and potential weaknesses compensated for by strict input/output control.	Medium term/ long term
	It has been estimated that the computer is in use only 25% of the time.	Consider renting computer out in order to obtain higher utilization.	Long term
	Certain program changes would be desirable: . notification of an invalid entry at time of data input rather than the automatic creation of a suspense entry . certain formatting problems	Postpone the list of program changes until immediate systems recommendations are implemented. Then revise the proposed change listing to effect current re-formats.	Long term
	. membership system could be more useful for fund raising by retrieving more information (e.g. owner characteristics, such as pedigree dog owner) longer, (e.g. more than two years)	Prepare feasibility study on campaign software available, with facility to handle pledges over a period of years to produce follow-up ledgers and to produce management information to track collections versus pledges.	Long term

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APPENDIX A

ONTARIO HUMANE SOCIETY

INSTRUCTIONS FOR COMPLETING
DISCOUNTED CASH FLOW ANALYSIS

Step 1

Isolate the high, medium and low priority objectives for the farm.

For example, and based on T.I. Hughes' memo:

- High - facilities used for housing large animals which may be seized
- High - facilities for housing exotic animals which may be seized
- High - Humane education centre (room for teaching, exhibits and room)
- High - office space, including administration and animal protection services administration
- Medium - keep a number of animals to demonstrate certain types of farming (1 large barn)
- Medium - Retirement Home for Horses (field, facilities)
- Medium - facility for Kindness Clubs and dog obedience lessons and grooming
- Medium - riding for the underprivileged and disabled/retarded (trained horses, pasture)
- Medium - pet cemetery (graves and stone)

- Low - 35 acres worked to provide hay
- Low - related activities (beehives, farmer's shop)
- Low - Animal Art Gallery (room)
- Low - museum (room)
- Low - pony shows (field, jumps, etc.)

Step 2

Define the options to be discussed.

For example:

- Option A - keep property intact, build headquarters administration building and all high priority facilities
- Option B - sell house and small portion, rent headquarters administration facilities, build for high priority on remaining land
- Option C - sell property, and rent headquarters administration facility and all other high priority facilities

Step 3

Acquire all necessary information in reasonably accurate form, using third parties where possible.

For example:

. Option A

- Architect's drawings (new architects appointed August, 1982)

- Timetable for all buildings

- Capital and operating cash flows for all buildings

. Option B

- Potential sales price and cost of sales (commission, legal fees, etc.)

- A canvassing of the likelihood and cost of problems arising from non-supply of soft services and need for building permits

- Location and cost of rental accommodation for headquarter administration

- Architect's drawings (if necessary) for all other high priority building, access to property and possible relocation of arena

- Timetable for completion of all other high priority buildings

- Capital and operating cash flows for all buildings and headquarter administration

Option C

- Potential sales price and cost of sales

- Location and cost of rental accommodation for each high priority objective

- Timetable for leasing

Step 4

Define other assumptions to be made. Preferably define them for the most likely, optimistic and pessimistic scenarios.

For example:

. Rate of inflation

. Effective date of all transactions

. Interest costs to be paid (on mortgages - Options A and B) and to be received (on Options B and C)

. Length of time the cash flow is to cover (say 15 years)

. In Option A and B the value of the property sold on the last day of the 15 years (usually based on capitalization of income which would be receivable from the property)

. Amount of financing (if any) required on the rental options

. Percentage increase in rental costs

. Whether or not there are escalation clauses in the construction contracts

. Point in the year at which cash flows occur (usually mid-year)

. Percentage increase in building operating costs

- Future office space requirements

- Opportunities for rental revenue paid by others where property or part of the property is to be kept (for instance cemetery, animal boarding)

- Etc.

Step 5

Prepare cash flow of each scenario for each auction in actual dollars.

For example:

Option A

	Most Likely Scenario			
	Year 1	Year 2	Year 3	Etc.
Inflows				
Rental Revenue				
Proceeds from sale	____	____	____	____
Total Inflow				
Outflows				
Construction and related costs				
Operating costs				
Mortgage payable	____	____	____	____
Total Outflow	____	____	____	____
Net Outflow/(Inflow)	____	____	/////	____

Step 6

Using net present value tables, and the rate of inflation assumed, convert the net outflow/inflow line above to net present value.

Step 7

Compare all options and scenarios, noting the degree of sensitivity attached to each.

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APPENDIX B

ONTARIO HUMANE SOCIETY
OPERATING MANUAL

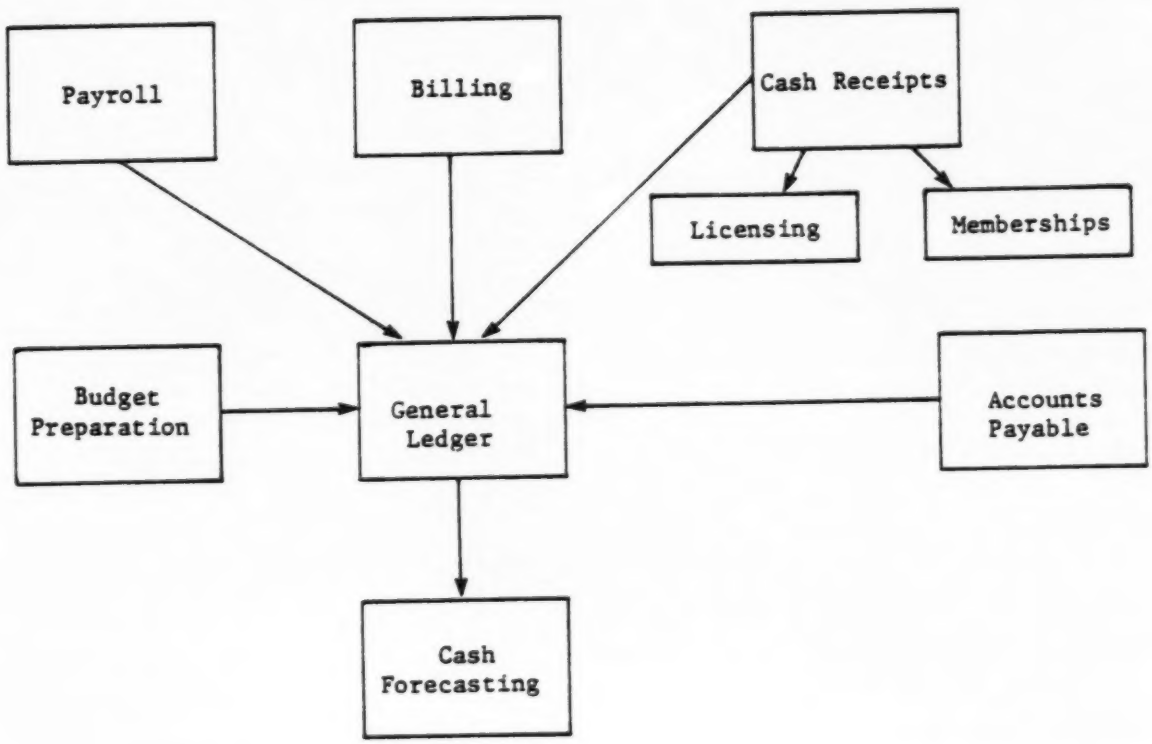
TABLE OF CONTENTS

- GLOSSARY
- POLICIES
- TOTAL SYSTEM LINKAGE — APPENDIX B-1
- DESCRIPTION OF EACH SUB-SYSTEM
- CATALOGUE OF REPORTS ISSUED
- DOCUMENT FLOW BY SUB-SYSTEM — APPENDIX B-2
- REPORTING RELATIONSHIPS
- JOB DESCRIPTIONS
- CLOSING SCHEDULE
- CODING STRUCTURE
- UPDATING RESPONSIBILITY AND SCHEDULE
- EXHIBITS
  - INPUTS
  - PROCESSING
  - OUTPUTS

ONTARIO HUMANE SOCIETY

TOTAL SYSTEM LINKAGE

EXAMPLE



ONTARIO HUMANE SOCIETY

DOCUMENT FLOW BY SUBSYSTEM: PAYROLL

EXAMPLE

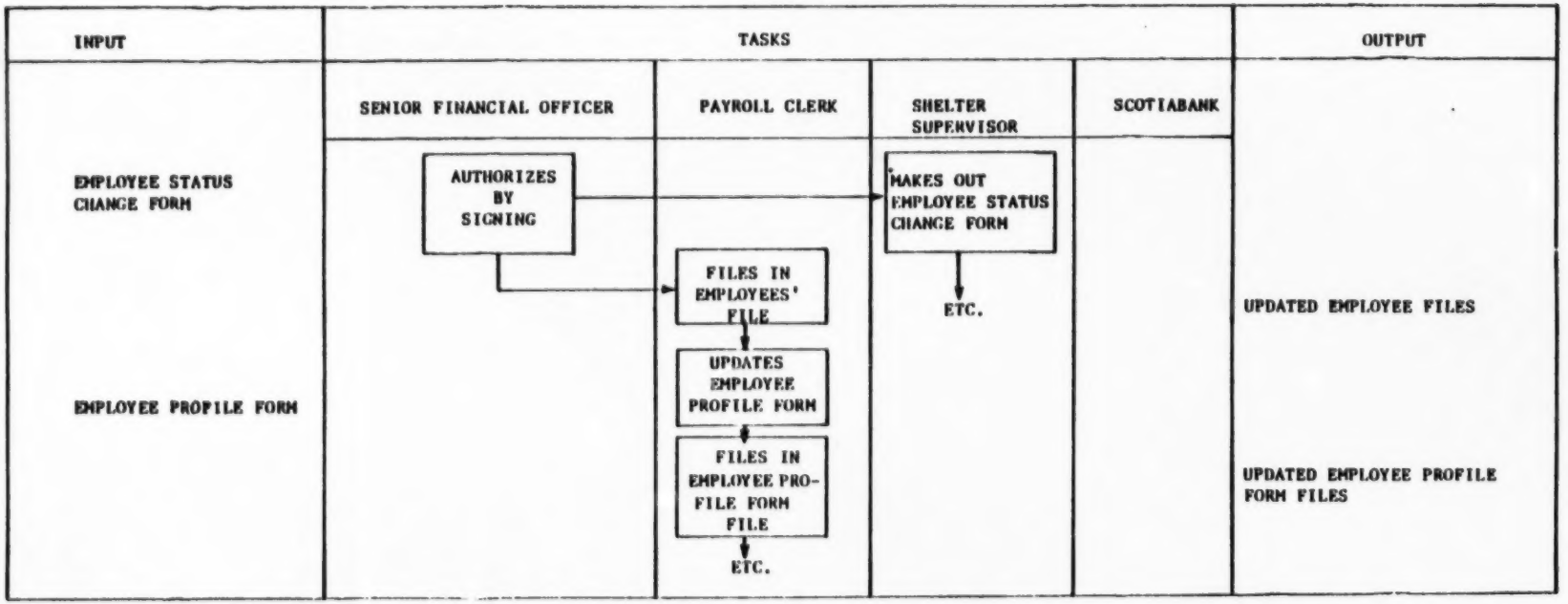


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EXHIBIT I

INTERVIEWS CONDUCTED IN RELATION TO THE ORGANIZATIONAL AND MANAGERIAL ASPECTS OF THE ONTARIO HUMANE SOCIETY STUDY

PERSON	POSITION	ORGANIZATION AFFILIATION
Mr. I. Hughes	Executive Director	Ontario Humane Society
Mr. Stan McBride	Vice President	Ontario Humane Society
Mr. R. Koury	Branch Liaison Officer & Inspector	Ontario Humane Society
Mr. Reginald Doresa	Controller	Ontario Humane Society
Dr. B. Moloo	Senior Veterinarian	Ontario Humane Society (Scarborough Clinic)
Dr. Chris Woods	Veterinarian	Ontario Humane Society (Mississauga Clinic)
Dr. Diane Clark	Veterinarian	Ontario Humane Society (North York & Scarborough Clinics)
Mr. Don Hepworth	Chief Inspector	Ontario Humane Society
Mr. Bernie Webb	Inspector, and Special Project Coordinator	Ontario Humane Society
Mr. Martin Cole	Inspector	Ontario Humane Society
Mr. Hue Coghill	Inspector	Ontario Humane Society
Mr. Richard Parry	Inspector & Manager	Ontario Humane Society, Thunder Bay Branch
Ms. Pat Storr	Shelter Supervisor	Ontario Humane Society, (Scarborough Clinic)
Mrs. Monica Converso	Shelter Supervisor	Ontario Humane Society, Mississauga Branch
Miss Debra Hughes	Pharmaceutical Coordinator & Payroll Clerk	Ontario Humane Society
Mrs. Joy Hughes	Travelling Supervisor	Ontario Humane Society

PERSON	POSITION	ORGANIZATION AFFILIATION
Mr. Vern Bell	Accountant	Ontario Humane Society
Mrs. Joan Staff	Computer Clerk	Ontario Humane Society
Mrs. Joan Osbourne	Receptionist	Ontario Humane Society
Mr. Sid Bone	Former Inspector	Ontario Humane Society
Mr. R. VanTangerloo	President	Ottawa Humane Society
Mr. R.L. McGibbon	Honorary President	Ottawa Humane Society
Mr. K. Switzer	Managing Director	Ottawa Humane Society
Mrs. Nancy Erickson	Director	Thunder Bay Branch, Ontario Humane Society,
	Director	Canadian Federation of Humane Societies
Ms. Audrey Johnston	President	Oakville, Humane Society
Mr. R.J. Burr	Manager	Oakville Humane Society
Mrs. Elizabeth Thompson	Manager	Oakville Humane Society
Dr. Larry Belbeck	President	Hamilton Humane Society
Mr. J. Bandow	General Manager	Hamilton Humane Society
Mr. W. Davidson	President	Peterborough Humane Society
Mrs. B. Pimmett	Executive Secretary & Manager	Peterborough Humane Society
Mr. John Ridout	Executive Director	Toronto Humane Society
Mr. Rick Brown	Office Manager	Toronto Humane Society
Mr. Neil Jotham	Executive Director	Canadian Federation of Humane Societies
Mr. Keith Gardiner	Director, Internal Audit	Ontario Ministry of the Solicitor General
Mr. John Ritchie	Director	Ontario Ministry of the Solicitor General, Legal Services Branch

PERSON	POSITION	ORGANIZATION AFFILIATION
Mr. John Chalmers	Solicitor, Legal Branch	Ontario Ministry of the Solicitor General
Mr. Sean McGrath	Chairman	Ontario Police Commission
Mr. Stan Raike	Chief Inspectorate Services	Ontario Police Commission
Dr. Ron Urqhart	Director	Regulatory & Communicable Diseases, Veterinary Services Branch, Ontario Ministry of Agriculture
Mr. Ron Jones	Vice President	Ontario Federation of Agriculture
Dr. Clayton MacKay	Former President Veterinarian	Ontario Veterinary Association Private Practice, Whitby
Dr. Tom Sanderson	Former President Veterinarian	Ontario Veterinary Association Private Practice
Dr. A. Secord	Chairman	Animal Care Review Board

INTERVIEWS CONDUCTED IN RELATION TO THE FINANCIAL ASPECTS OF THE ONTARIO HUMANE SOCIETY STUDY

PERSON	POSITION	ORGANIZATION AFFILIATION
Mr. T.I. Hughes	Executive Vice President	Ontario Humane Society
Mr. R.A. Hosegood	Honorary Treasurer	Ontario Humane Society
Mr. Reginald Doresa	Controller	Ontario Humane Society
Mr. Rick Koury	Branch Liaison Officer & Inspector	Ontario Humane Society
Mr. Vern Bell	Accountant	Ontario Humane Society
Mr. Don Hepworth	Chief Inspector	Ontario Humane Society
Mrs. Joan Staff	Computer Clerk	Ontario Humane Society
Mrs. Marion Fell	President	Ontario Humane Society, Barrie Branch
Mrs. M. Woods	Vice President	Ontario Humane Society, Chatham Branch
Mr. D. Thomlinson	President	Ontario Humane Society, Whitby Branch
Mrs. Valerie Findlay	President	Ontario Humane Society, North York Branch
Mr. Dale Ashbee	Ex-President	Ontario Humane Society, Thunder Bay Branch
Ms. Monica Converso	Shelter Supervisor	Ontario Humane Society, Mississauga Branch
Ms. Carol Lang	Shelter Supervisor	Ontario Humane Society, Scarborough Branch
Mr. Rick Brown	Office Manager	Toronto Humane Society
Mr. John Buckworth	Partner	Arthur Andersen & Co.
Mr. Pat Daly	Manager	Arthur Andersen & Co.

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EXHIBIT II

PRO FORMA BUDGET

ONTARIO HUMANE SOCIETY INSPECTORATE*

MANAGEMENT:	Chief Inspector	$35,000
	Fringe Benefits	3,000
	Senior Inspector	25,000
	Fringe Benefits	2,500
	Inspectors (8)	160,000
	Fringe Benefits	16,000
	SUB TOTAL	$241,500
ADMINISTRATION:	Secretary	$18,000
	Fringe Benefits	800
	Office Expenses	15,000
	Travel Expenses	40,000
	Telephone, Telephone Answering Service, Telex and Radio	12,500
	Insurance (Public Liability, etc.)	3,000
	SUB TOTAL	$89,300
TRAINING:	Instruction and Material Costs	$10,000
	SUB TOTAL	$10,000
UNIFORMS AND EQUIPMENT:	Uniforms and Protective Clothing	5,000
	Vehicles	72,000
	SUB TOTAL	$77,000
ABSORBED COSTS:	Seized Animal Expenses (Non Recoverable)	$40,000
	SUB TOTAL	$40,000
	TOTAL	$457,800

* SOURCE: VARIOUS INTERVIEWS BOTH INSIDE AND OUTSIDE ONTARIO HUMANE SOCIETY